IBERDROLA

Results Presentation

First Half / July / 2016

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Highlights of the period

Recurring Net Profit increases 13.8% to Eur 1,427 M

EBITDA grows 1.4% to Eur 3,892 M

Excluding atypical factors and fx impact, EBITDA grows 5.8%

Net Investments of Eur 1,859 M (+42.7%)

68% for growth

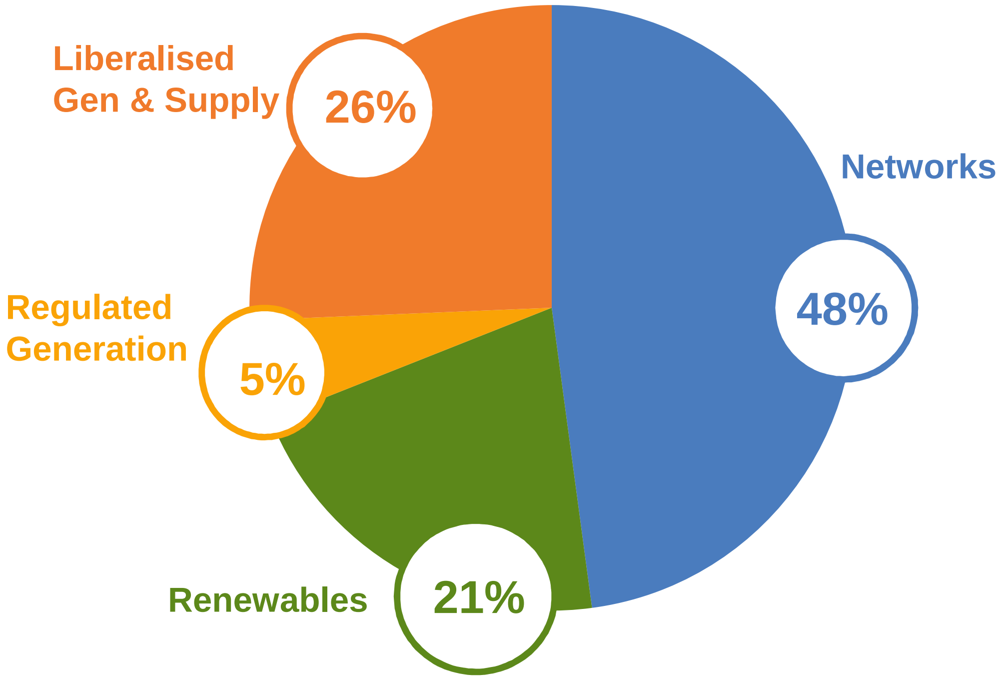
Operating Cash Flow (FFO) up 6.5% to Eur 3,227 M

Net Profit reaches Eur 1,457 M

EBITDA improves as impact of Q1 non-recurrent items is diluted

(from -6% 1Q16 to +1.4%)

EBITDA by business



Operating Highlights

Networks

- Improvement of business performance in Spain and US surmounts negative fx impact

Renewables

- Higher output in Spain and US
- Lower output in UK

Regulated Generation

- Lower CFE tariff in Mexico

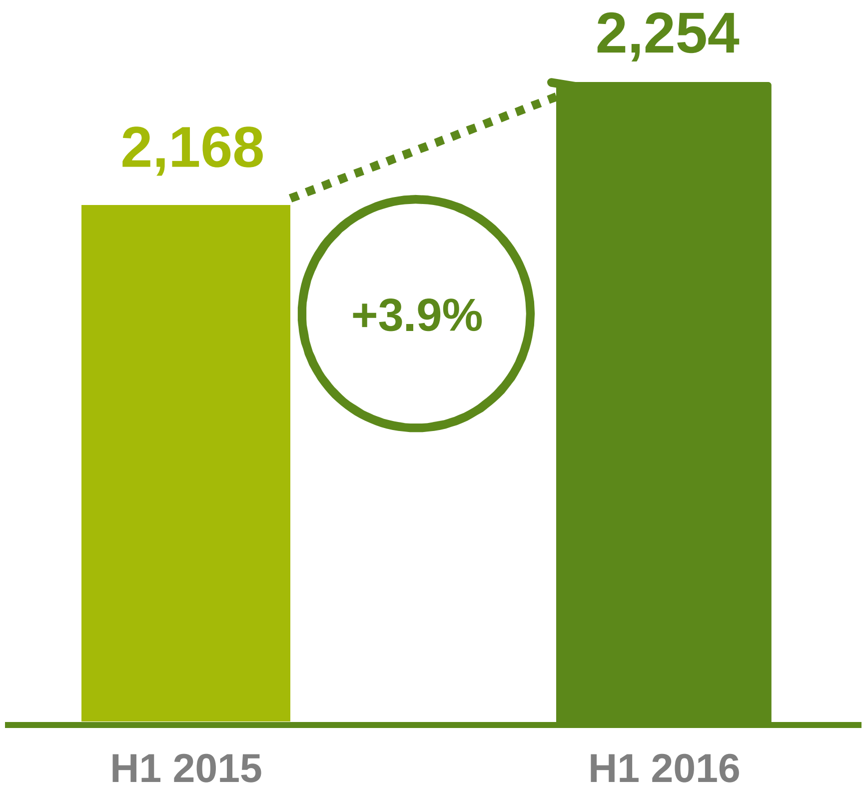
Liberalised Generation and Supply

- Progressive dilution of one-off atypical factors
- Spain: higher output and higher retail activity
- UK: higher CCGT output, partially offset Longannet closure

Strong operational performance during the period

EBIT increases 3.9% to Eur 2,254 M (Excluding fx impact +5.7%)

EBIT/ Eur M

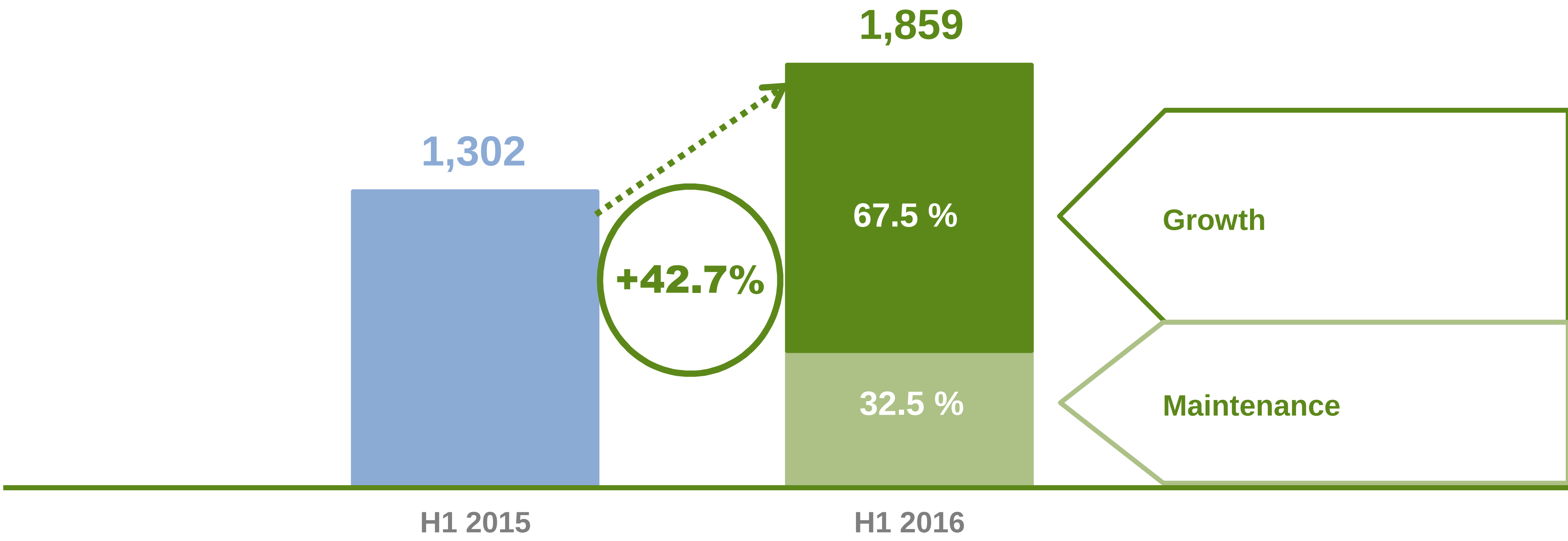


Lower financial costs and fx hedges allow Recurring Net Profit to grow 13.8%

Net Investments increase 42.7% to Eur 1,859 M

82% in Regulated businesses

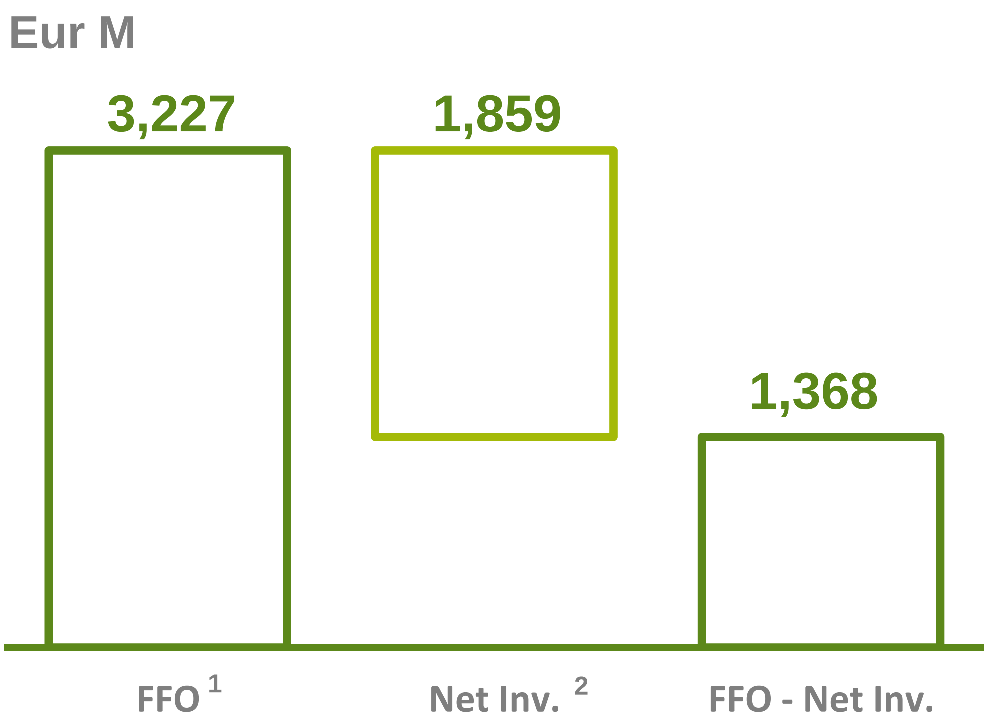
Net Investments / Eur M



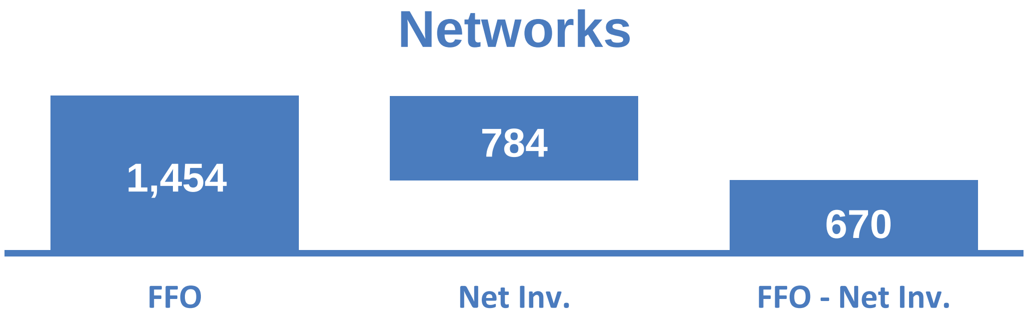
68% of total investments allocated to growth

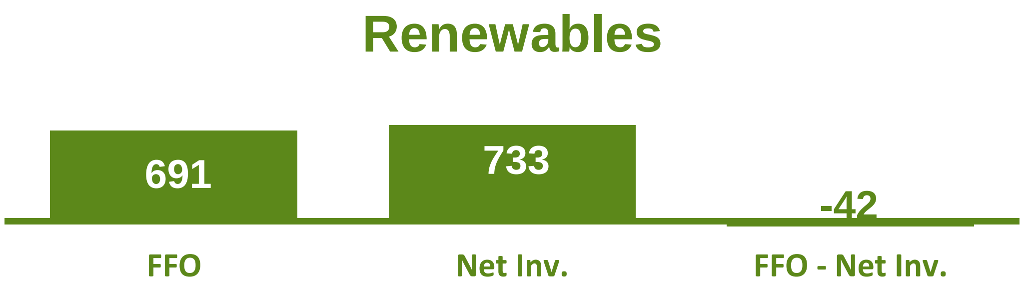
Operating Cash Flow

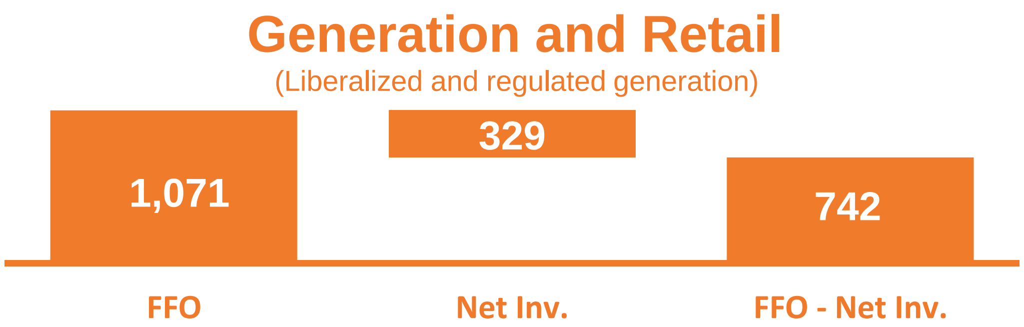
Operating Cash Flow (FFO) up 6.5% to Eur 3,227 M



Global figures include Corporation and Other Businesses







[1] FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity - /+ reversion of extraordinary tax provision

[2] Investment net of grants and ex-capitalised costs.

2016 – 2020 Strategic Plan execution

Networks

- **US:** approval of NY Rate Cases, filing of Connecticut electric rate case.
- **4 transmission projects under construction:** Metro-North Railroad (Connecticut), Coopers Mills (Maine), Rochester Area Reliability Project (New York), Lewiston Loop (Maine).
- **Spain:** approval of RAB and new remuneration scheme.

Renewables

Offshore:

- **Wikinger (350MW),** in Germany: **50% of foundations installed, Jackets and offshore substation ready to be installed.**
- **East Anglia I (714MW)**, in UK: turbine order signed with Siemens**.**

Onshore:

- **Under construction 1,326MW**: UK (398MW), US (744MW), Brazil (184MW).

Regulated Generation Mexico

- **Mexico tariff increase since July (+9.2%)**
- A total of **2,564 MW under construction: 673MW in H2 2016,** and the rest in 2017-2018 with a total installed power of around **8,000MW.**

Good progress in the development of Transmission and Distribution Networks and 5,000MW of windfarms and regulated generation

AVANGRID's Adjusted Net Income grows 45% like for like to USD 295 M

Adjusted EBITDA grows 9% to USD 1,048 M

Investment plan and integration process on track

Third dividend of $0.432/share, payable on 3rd October, 2016

+27% share price performance since listing in NYSE (Dec 2015)

Total market capitalization of USD 14,191M*

*As of NYSE closure on July 18th

Impact of Brexit on results

Currency diversification mitigates potential Brexit impact

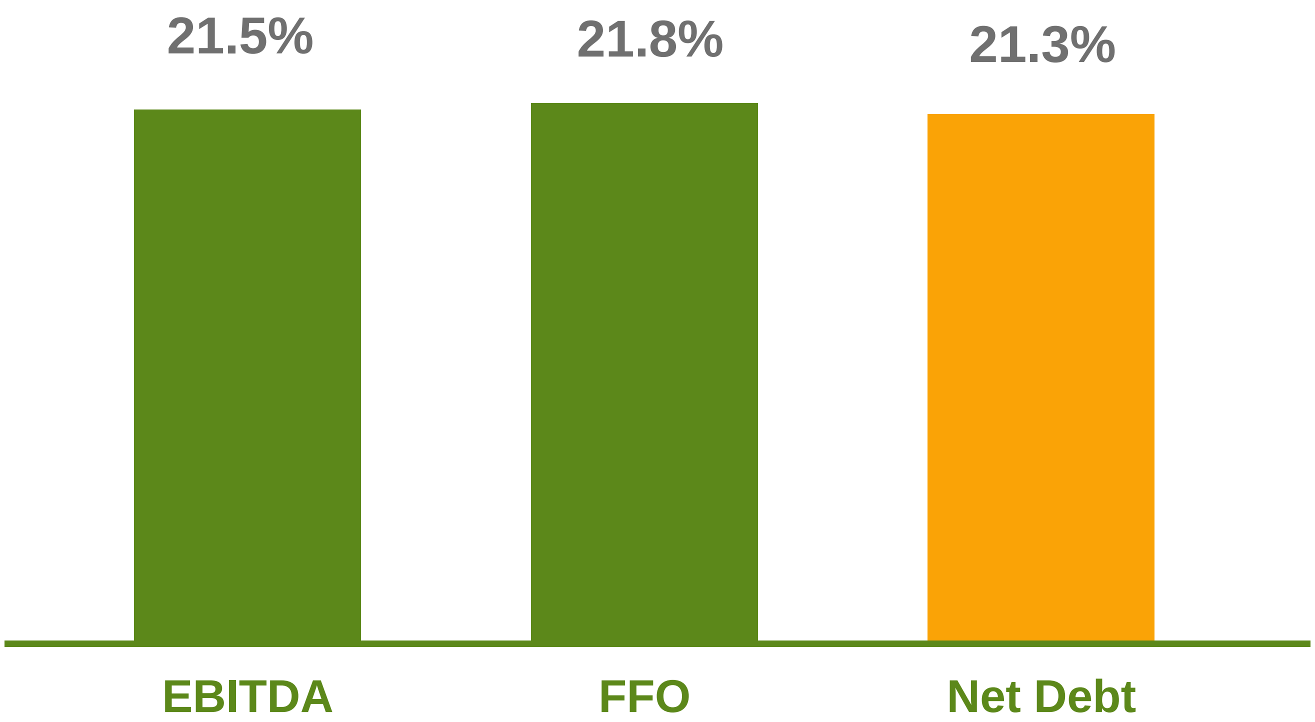
100% Net Profit 2016 hedged for exchange rates fluctuation

Over 75% of UK EBITDA under Regulated businesses or Renewables…

...with remuneration schemes indexed to inflation

The strategy of financing in the same currency…

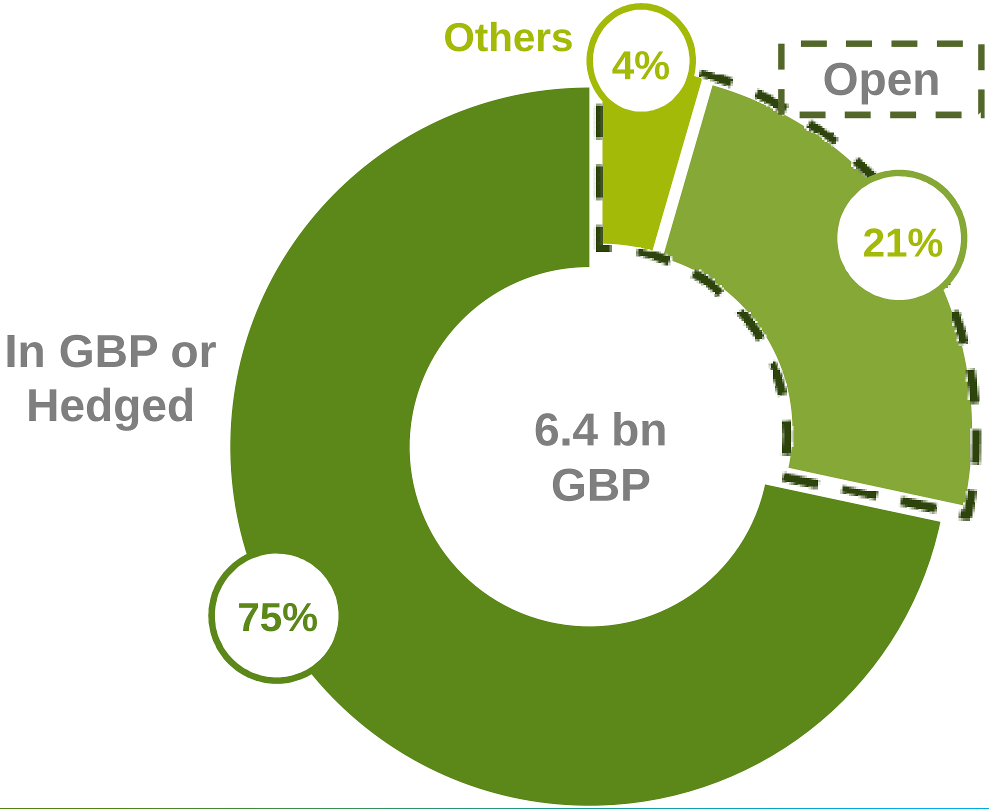
Weight in Sterling 2016E



…protects credit ratios (ND/EBITDA or FFO/ND)

From UK 2016-2020 capital expenditure plan 75% has no currency risk…

CAPEX Currency Risk



Renewables and Networks:

- **35% East Anglia I** of remaining investment.
- **Networks Equipment**

With price revision formulas

…and additional 21% with price revision formulas

Gamesa-Siemens Wind integration creates a global leader

Strategic fit:

- **Complementary geographic and business mix**
- **Synergies: design, manufacturing, etc.**

Over Eur 200 M of cash dividend in 2017 for Iberdrola

Iberdrola-Siemens Wind shareholders agreement: protecting the interests of minority shareholders

A long term investment for Iberdrola: supporting the industrial model of the company

Creating stable and high quality employment, contributing to economic development

- **1,287 new recruits**
- **Purchase**[1] of **Eur 2,855M (+37.3%),** from **over 13,900 suppliers**
- **Direct tax contribution** of **Eur 5,457M** in the last twelve months

Eur M	*Company due Taxes*[2]	*Collected Taxes*[3]	*Total*
Spain	1,536	1,901	3,437
UK	457	162	619
US	463	184	647
Latam & RoW	141	613	754
TOTAL	2,597	2,860	5,457

[1] Excluding energy and fuel purchases
[2] Including Corporate Income Tax, Social Security charged to Iberdrola, Levies and non-deductible VAT
[3] Including Social Security charged to employees, VAT, retained Income Tax to employees and withholding tax on distributed dividends

The evolution of our business during the first half improves our Net Profit outlook for the year

Networks	++
Renewables	=
Generation and Retail	=/+

Fulfilling growth prospects at EBITDA level (~5%), despite FX effect and atypical factors

Net Profit will grow at a higher rate than EBITDA

Analysis of the Results

Recurring Net Profit up 13.8% and Operating Cash Flow rises 6.5% to Eur 3,226.8 M

Eur M	H1 2016	H1 2015	Var.	%
Revenues	14,898.0	16,125.6	-1,227.6	-7.6
Gross Margin	**6,776.3**	**6,634.0**	**+142.3**	**+2.1**
Net Operating Expenses	-1,860.7	-1,780.2	-80.4	+4.5
Levies	-1,023.5	-1,014.6	-8.9	+0.9
EBITDA	**3,892.1**	**3,839.2**	**+52.9**	**+1.4**
EBIT	2,253.6	2,168.1	+85.6	+3.9
Net Financial Expenses	-361.2	-518.3	+157.1	-30.3
Recurring Net Profit	**1,427.0**	**1,253.4**	**+173.6**	**+13.8**
Reported Net Profit	**1,456.7**	**1,505.9**	**-49.1**	**-3.3**
Operating Cash Flow*	3,226.8	3,031.1	+195.7	+6.5

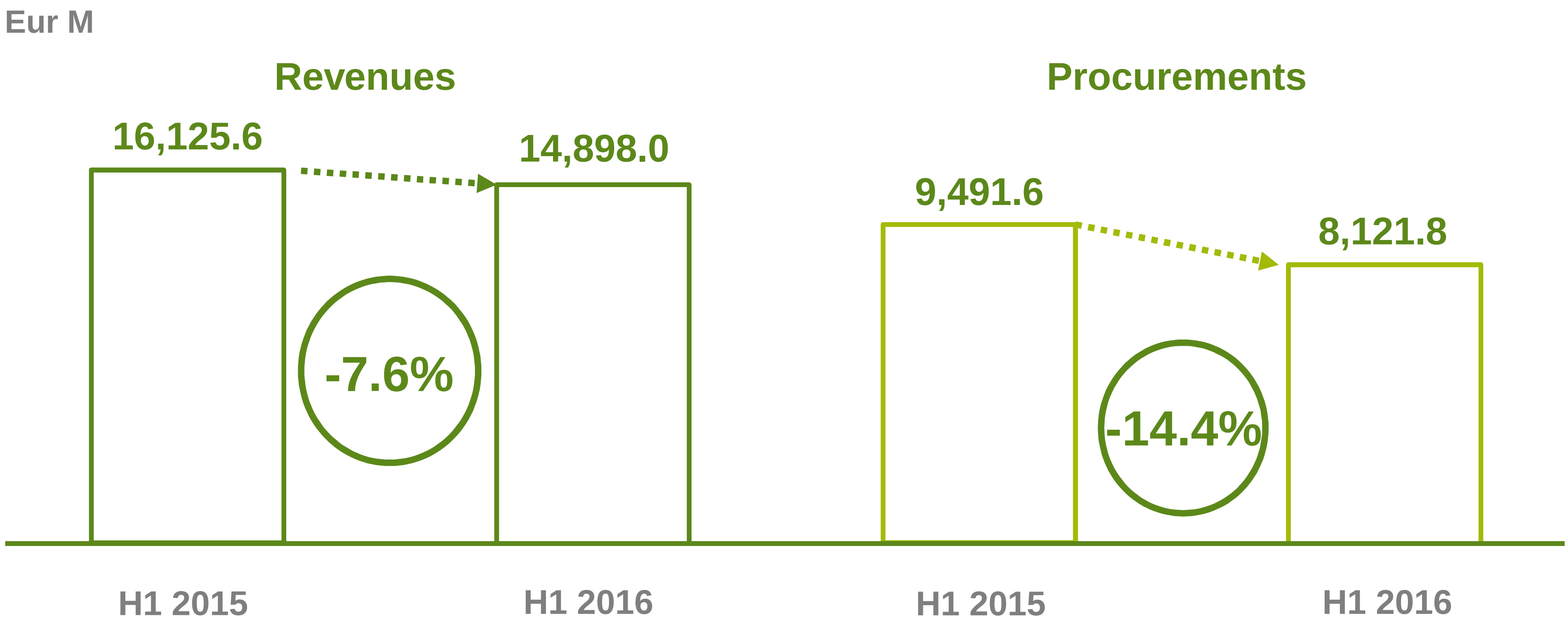
NOTE: Both 2016 and 2015 figures have been restated to reflect ITCs consideration (Previously lower D&A and now Other Operating Income)

**Net Profit + Minority Results + Amortiz. & Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity – /+ reversion of extraordinary tax provision*

Reported Net Profit down 3.3%
affected by positive Eur 220 M tax impact accounted for in H1 2015

Gross Margin / Group

**Gross Margin up 2.1%, to Eur 6,776.3 M,
as UIL consolidation (Eur 400 M) more than compensates fx impact (Eur -129 M)**



**Revenues -7.6% (Eur 14,898.0 M)
and Procurements -14.4% (Eur 8,121.8M) due to better generation mix**

Net Operating Expenses / Group

Net Operating Expenses are up 4.5% to Eur 1,860.7 M, driven by the consolidation of UIL (Eur -138 M)

Eur M

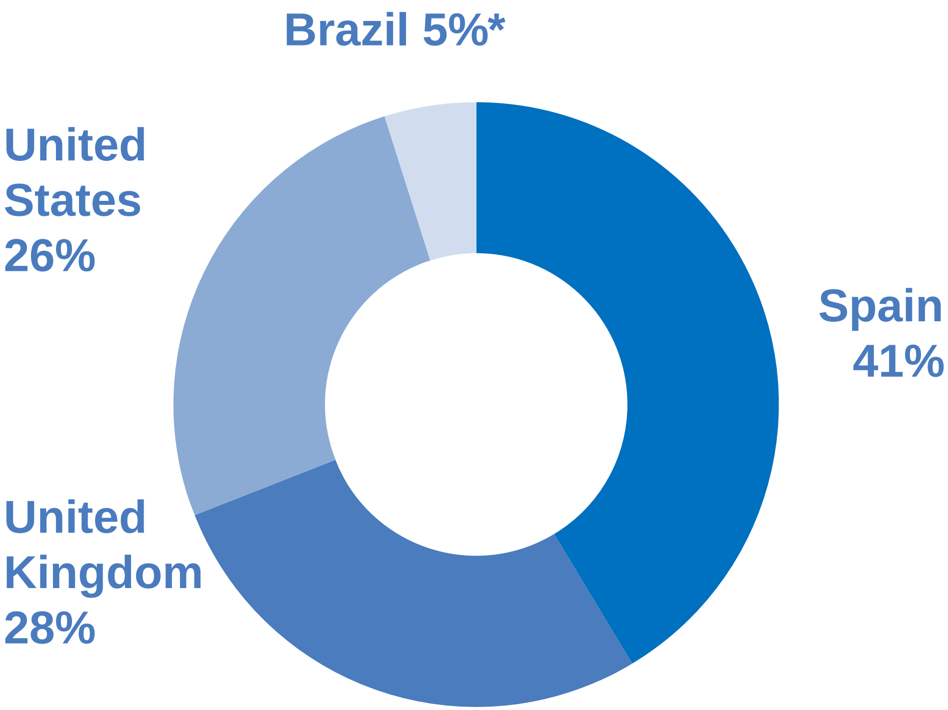
Net Operating Expenses

	H1 2016	H1 2015	% vs H1 15	% vs H1 15 (ex-UIL and fx)
Net Personnel Expenses	-975.8	-929.1	+5.0	-2.0
Net External Services	-884.9	-851.1	+4.0	+0.8
Total Net Op. Expenses	**-1,860.7**	**-1,780.2**	**+4.5**	**-1.0**

On a like-for-like basis and excluding fx impact (Eur +47 M), Net Operating Expenses fall 1.0%

EBITDA Networks up 4.3% to Eur 1,894.5 M (vs -3.7% in Q1 2016) …

EBITDA by Geography (%)



**Brazil represents less than 3% of Group EBITDA*

Key figures (Eur M)

	H1 2016	vs H1 2015
Gross Margin	3,095.5	+9.4%
Net Op. Exp.	-772.4	+20.2%
Levies	-428.6	+15.5%
EBITDA	**1,894.5**	**+4.3%**

… with US as the main growth driver

Results by Business / Networks

Spain

EBITDA Eur 783.9 M (+3.5%), as the 2.5% remuneration increase under the new framework and cost control more than compensate the Eur -29 M impact due to Q1 2015 positive settlements

Net Operating Expenses improve 5.6%

UK

EBITDA GBP 404.5 M (-2.0%), impacted by revenue profiling as a consequence of the implementation of RIIO-ED1 on April 2015

US

EBITDA USD 550.2 M (+36.2%), driven by UIL consolidation (USD +250 M) and the normalisation of certain seasonal impacts

US GAAP EBITDA USD 738.9 M

Brazil

EBITDA BRL 386.8 M (-12.1%), impacted mainly by 3.5% lower demand and lower tariff due to 2015 review (expected to recover in the second half of the year)

EBITDA Generation and Supply decreases 3.0% to Eur 1,226.0 M (vs -18.1% in Q1 2016)…

EBITDA by Geography (%)

Key figures (Eur M)

	H1 2016	vs H1 2015
Gross Margin	2,464.3	-1.6%
Net Op. Exp.	-791.2	+4.3%
Levies	-447.1	-7.2%
EBITDA	**1,226.0**	**-3.0%**

… with improvement in operating results partially offsetting lower gas results in Spain and customer compensation in UK Q1 2016

Results by Business / Generation and Supply

Spain

EBITDA Eur 756.3 M (-2.5%)

+ Higher output* (+22.0%) due to increase in hydro (+68.4%) and nuclear (3.8%) output. Hydro reserves at 75.7% (8,532 GWh), close to historical highs
+ Higher Retail activity (volumes and Products & Services)
- Lower Gas results vs H1 2015 (Eur -72.8 M)
- Net Operating Expenses (+15.4%) affected by Eur -42 M of non recurring results
+ Lower Levies due to net positive impact of Court rulings in H1 2016 (Eur +17 M)

UK

EBITDA GBP 205.9 M (+1.0%)

+ *Wholesale & Generation* improves (120.8%) due to higher gas output and lower costs, positively affected by GBP -20 M one off in 2015, partially compensated by higher Carbon Tax
- *Retail* decreases (-8.6%) driven by lower sales due to milder weather conditions, higher non energy costs (ROCs) and OFGEM ruling on customer compensation

Mexico

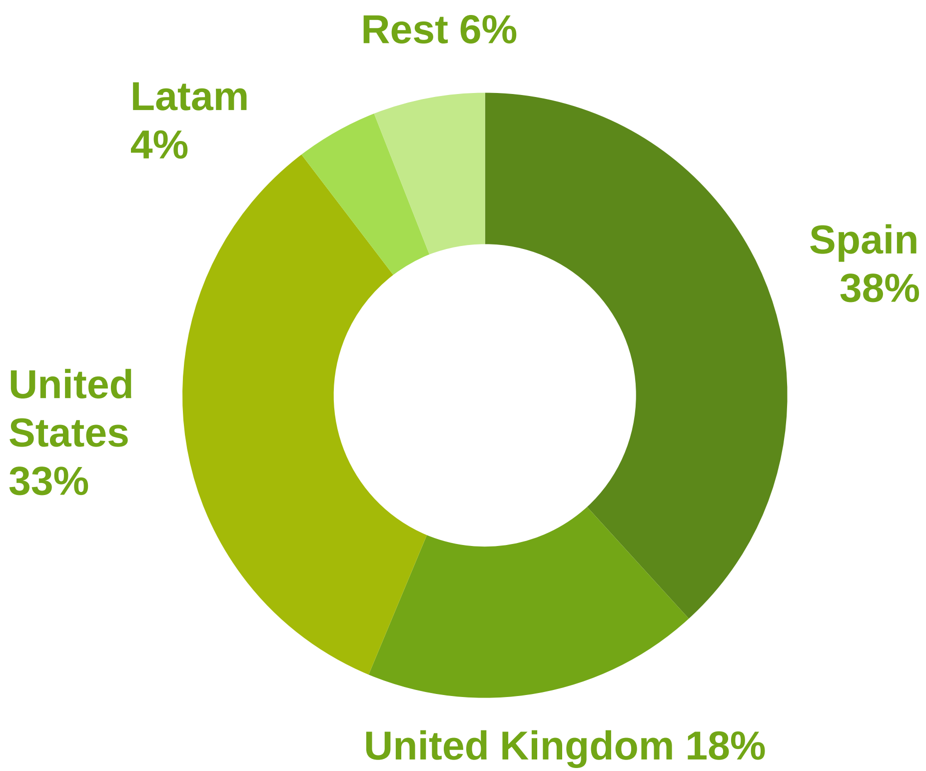
EBITDA USD 235.0 M (-7.9%)

- Lower margins in contracts with private customers due to the decrease of CFE tariff. EBITDA will recover throughout the year as new capacity comes into operation and CFE tariff increases

** Includes cogeneration*

Renewables EBITDA down -3.0% to Eur 836.5 M …

EBITDA by Geography (%)



Key Figures (Eur M)

	H1 2016	vs H1 2015
Gross Margin	1,193.1	-3.9%
Net Op. Exp.	-253.4	-6.8%
EBITDA	**836.5**	**-3.0%**

… due to the weaker performance in the UK in Q2 2016

Results by Business / Renewables

Spain

EBITDA Eur 319.7 M (+22.7%), driven by higher output (+7.0%)
Includes Eur +54 M of account receivable due to low prices in the market

UK

EBITDA GBP 116.6 M (-34.4%), as a consequence of lower output (-26.2%), lower prices (GBP -6.7/MWh) and removal of LECs from Q3 2015 (GBP -8.7 M)

US

EBITDA USD 311.0 M (+3.9%), with better performance due to the increase in output (+10.3%), despite lower prices (-3%)

Latam

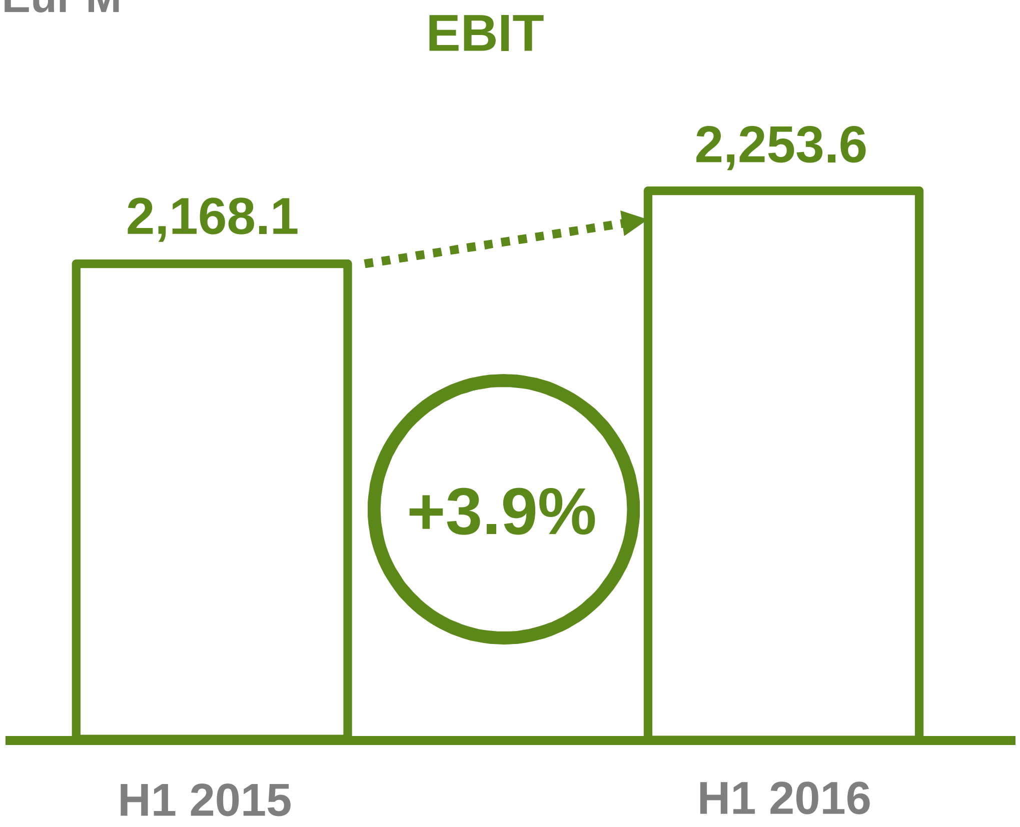
EBITDA Eur 36.8 M (-2.2%), Mexico improves 6% due to additional capacity and Brazil falling 14% due to BRL devaluation

RoW

EBITDA Eur 49.9 M (-4.4%), driven by 11.8% lower output partially compensated by lower Net Operating Expenses

Group EBIT up 3.9%, to Eur 2,253.6 M

Eur M



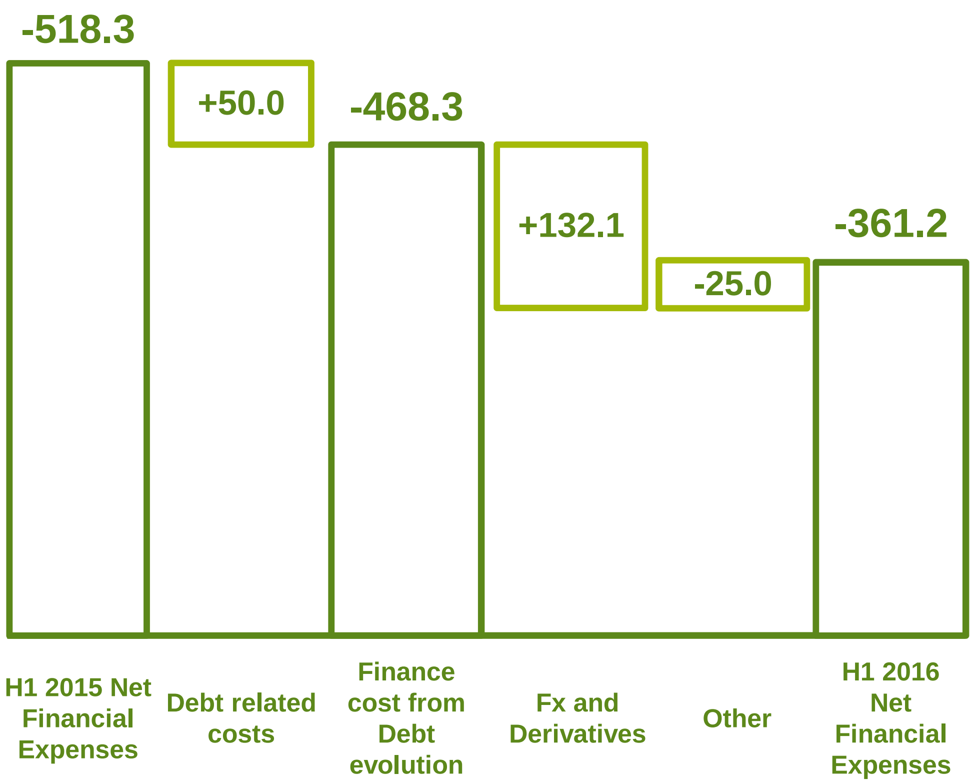
	H1 16	H1 15	Var.
Amortis.	-1,515.3	-1,571.3	+56.0
Provisions	-123.2	-99.8	-23.4
TOTAL	-1,638.5	-1,671.1	-32.6

Amortisations fall 3.6% due to Longannet closure (Eur +66 M) and life extension of renewable assets (Eur +76 M), more than compensating UIL consolidation (Eur -93 M)

Net financial expenses / Group

Net Financial Expenses fall 30.3%, to Eur 361 M, …

Net Financial Exp. evolution (Eur M)



Financial Highlights

- Cost reduction of 69 bp to 3.51% improves debt result by Eur +50.0 M despite higher average debt (Eur +2.2 bn)
- Fx Hedges amount in H1 to a MtM Eur +97 M, mainly due to GBP depreciation
- Other: Eur -25.0 M

… due to improvement in derivatives and debt-related costs despite increase in debt

Net Profit / Group

Improvement in operating results and lower Financial Expenses drive Recurring Net Profit up 13.8%, to Eur 1,427.0 M

Eur M

	H1 2016	H1 2015	vs H1 2015
Recurring Net Profit	1,427.0	1,253.4	+13.8%
Non Recurring Results	29.8	252.5	
Reported Net Profit	1,456.7	1,505.9	-3.3%

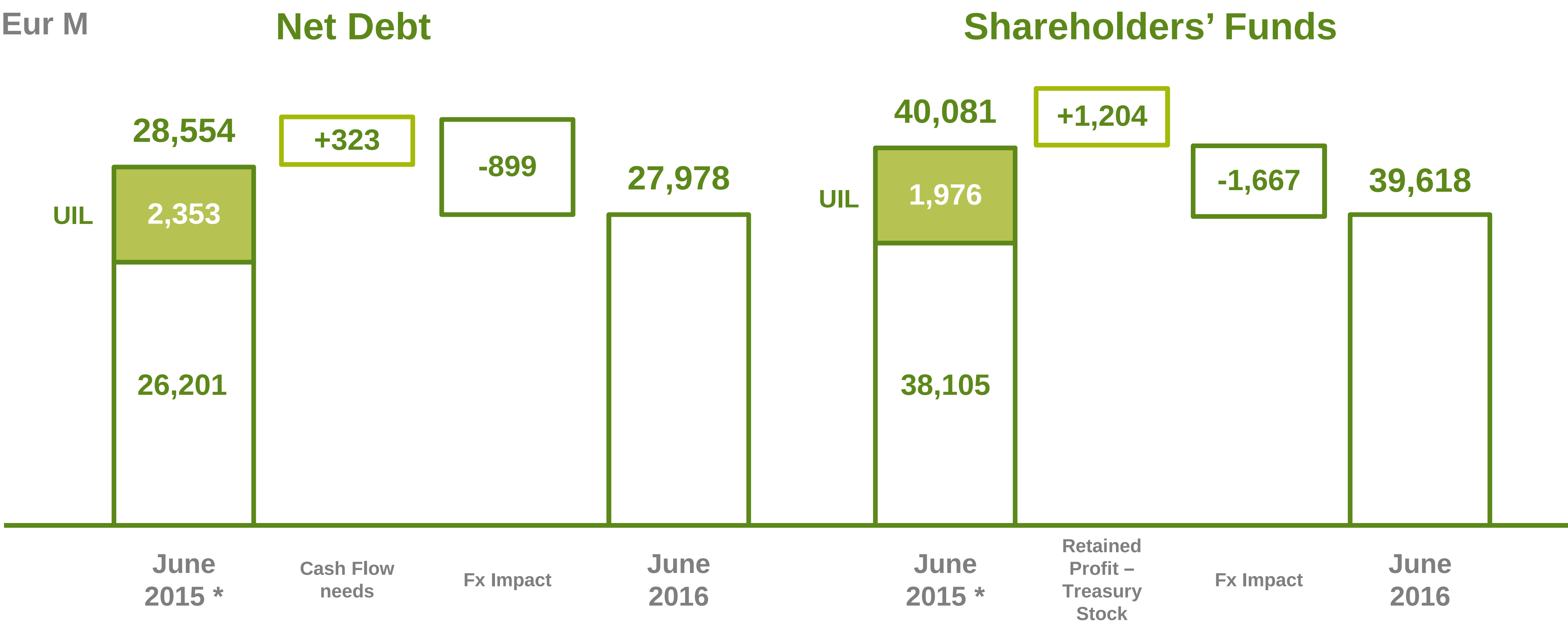
Reported Net Profit down 3.3%, to Eur 1,456.7 M,
due to Eur 220 M non recurring positive tax reversion in H1 2015

To be compensated in the second half due to Eur 230 M Longannet impairment in Q4 15

Financing

Financing / Leverage

Our business performance and hedging strategy …

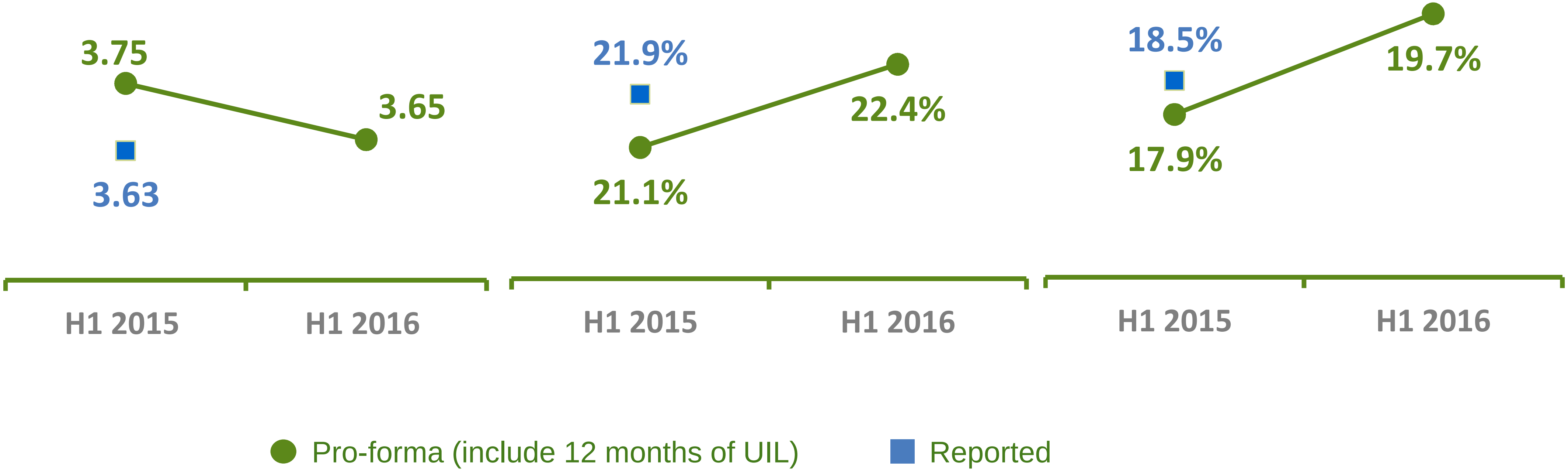


** Pro-forma including UIL*

… maintains stable leverage on a pro-forma basis, to 41.4% from 41.6%

On a pro forma basis, improvement of all credit ratios

Net Debt / EBITDA | **FFO(1) / Net Debt** | **RCF(2) / Net Debt**



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(2) RCF = FFO – Dividends paid in cash to shareholders – Net interest on hybrid debt issue.

Financing / Liquidity and Average Life of Debt

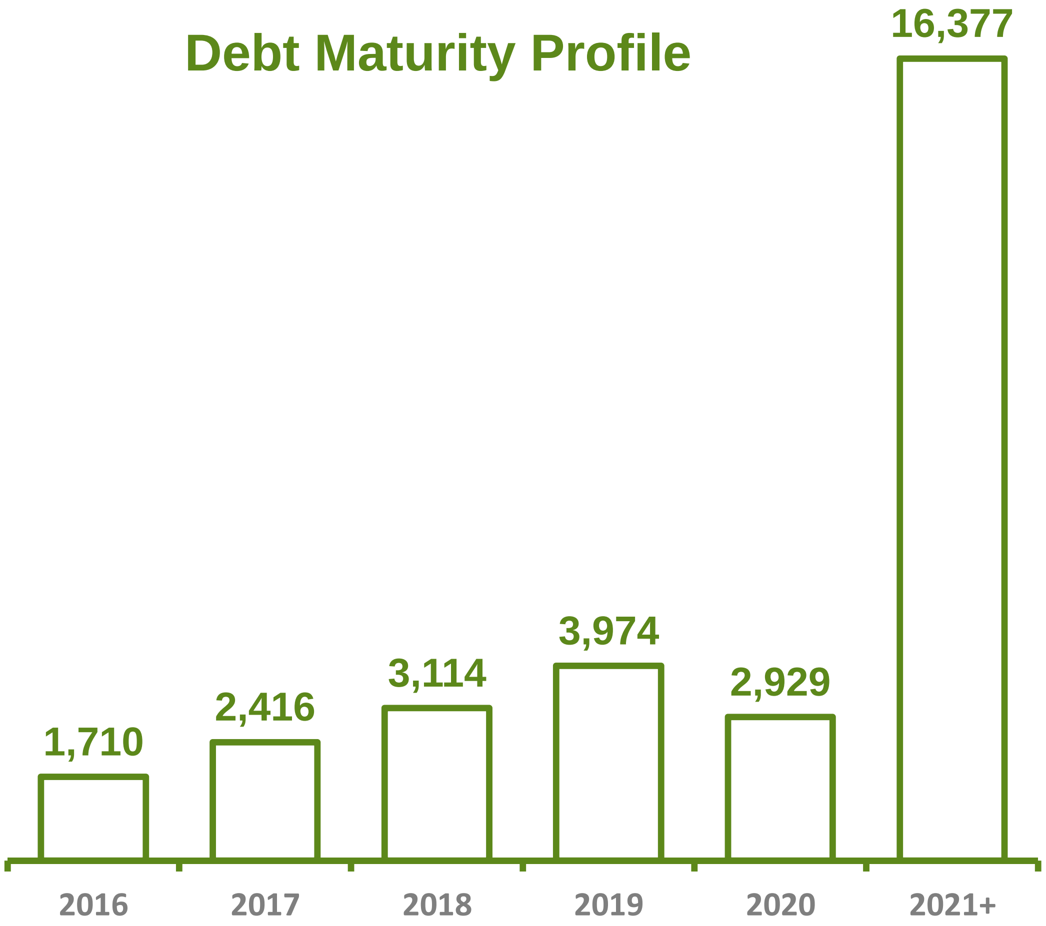
Strong liquidity position of over Eur 9.5 bn*, covering more than 24 months of financing needs …

Eur M

Credit Line Maturities	Available
2017 and onwards	6,834
Total Credit Lines	7,109
Cash and s/t financ. inv.	2,462
Total adjusted Liquidity *	**9,571**

* Including Eur 50 M Elektro EIB loan disbursed on 1 July

Debt Maturity Profile



… and an average debt maturity* of 6.2 years

Annex

Results Avangrid / US GAAP to IFRS Reconciliation

USD M	US GAAP 10-Q	IFRS Adjustments	IFRIC 21	Other	IFRS
Gross Margin	1,981.1	-106.4		-5.1	1,869.5
EBITDA	**1,048.0**	**-36.3**	**-151.9**	**-16.0**	**843.8**
	- Networks: 738.9 - Renewables: 339.4 - Other: -30.3				- Networks: 550.2 - Renewables: 311.0 - Other: -17.4

EBITDA Adjustments

IFRS (USD -36 M)

- Energy costs and weather/volumes: -52 M
- Rate Credits UIL: -20 M
- Other: +36 M

IFRIC 21 (USD -152 M)

- Impact of IFRIC 21 and other Tax: -152 M

Impact of energy costs and lower volumes to be recovered in the next months due to revenue decoupling mechanism.

No impact of IFRIC 21 anticipated at the end of the year

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